

MONTANA LEGISLATIVE HISTORY

Chapter 490 19 79

Bill H 566 S _____ Original bill & history C

H. Committee on Business & Industry

Hearing Date(s) Feb 12 ✓ C

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Date Out Feb 12 ✓ C

S. Committee on Business & Industry

Hearing Date(s) Mar 20 ✓ C

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Mar 20 ✓ C

Did this bill originate in an interim committee? Yes No

Committee _____

Report _____

1 House BILL NO. 566
 2 INTRODUCED BY VINCENT Watt Broad Manning
 3 Dan Kessler Spencer Gillis Indreth Scott
 4 Anderson Hamington Monday
 5 A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE LENDING
 6 INSTITUTIONS TO CREDIT INTEREST EARNED ON CERTAIN PREPAID
 7 RESERVE FUNDS TO THE RESERVE FUND AND TO LIMIT THE AMOUNT OF
 8 SUCH RESERVE FUNDS."
 9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 10 Section 1. Limit on the amount of funds on reserve.
 11 Except as provided in [section 2], if a lending institution
 12 requires a borrower under a mortgage or trust indenture of
 13 real property to include in his regular payment additional
 14 payment into a reserve fund held by the lending institution
 15 for the future payment of property taxes, insurance
 16 premiums, and other expenses, the amount of funds on reserve
 17 may not exceed 110% of the projected amount needed to pay
 18 such expenses.
 19 Section 2. Exception to limitation. If the borrower
 20 desires, the lending institution and borrower may enter into
 21 a written contract in which they agree that the funds on
 22 reserve exceed 110% of the reasonable amount needed to pay
 23 such expenses.
 24 Section 3. Interest on reserve fund required. The
 25 lending institution shall credit to the reserve fund

1 interest at the rate regularly paid by the lending
 2 institution on passbook savings accounts.
 3 Section 4. Manner of computing and crediting interest
 4 on reserve fund. Interest on the funds shall be:
 5 (1) computed on the average monthly balance in the
 6 reserve fund; and
 7 (2) paid annually to the mortgagor by crediting the
 8 reserve fund with the amount of interest due.
 9 Section 5. Record of reserve fund required. Every
 10 lending institution shall keep an itemized record of each
 11 payment entered into the reserve fund, each disbursement
 12 withdrawn from the reserve fund, and the interest credited
 13 to the reserve fund. The lending institution shall annually
 14 mail a copy of such record to each borrower under a mortgage
 15 or trust indenture of real property.

-End-

February 12, 1979
Business & Industry
46th Legislative Session

The Business & Industry Committee held a meeting Feb. 12, at 10:00 a.m. in room 437, with Chairman Joe Quilici presiding. All members were present except Rep. Ellison who was excused.

Hearing was opened on HB 545.

Rep. Conroy, sponsor, explained the bill to the committee.

Mr. Ray Wayrynen, proponent, submitted his written testimony to the committee. (See Exhibit "A")

Questions from the committee followed. Rep. Quilici in answer to a question, explained that the original intent of the floating tavern license was to enable over quota areas to transfer licenses to under quota areas.

Rep. Conroy closed on HB 545.

Hearing on HB 566...

Rep. Vincent, sponsor, explained the bill to the committee. He pointed out the three areas the bill would deal with.

1. The amount of money in the fund.
2. Interest on the amount of money,
3. Recording mechanism to keep borrowers informed.

Chairman Quilici called for other proponents, there were none. There were no opponents to HB 566.

Questions from the committee followed.

Rep. Vincent closed on HB 566.

EXECUTIVE SESSION:

Action taken on HB 566...

Rep. Tropila made a motion that HB 566 DO PASS. Discussion was held on the motion.

Question called, vote was taken and carried unanimously.

Rep. Robbins made a motion that HB 566 be placed on the Consent Calander. There was objection to the motion. HB 566 will go on second reading.

Action taken on HB 545...

Rep. Kessler made a motion that HB 545 DO NOT PASS. The motion was seconded by Rep. Quilici, Discussion on the motion was held.

MINUTES OF THE MEETING
BUSINESS & INDUSTRY COMMITTEE
MONTANA STATE SENATE

March 20, 1979

The meeting of the Business and Industry Committee was called to order by Chairman Frank Hazelbaker on the above date in Room 404 of the State Capitol Building at 10:00 a.m.

ROLL CALL: All members were present.

HOUSE BILL 566: Representative John Vincent, sponsor of HB 566, explained the bill to the Committee. This bill related to the operation of real estate mortgage loan reserve funds that are set up to provide for payment of property taxes, insurance premiums, and other expenses.

Representative Vincent presented some amendments to the Committee. These proposed amendments are attached to the minutes. The amendments take the part requiring interest on escrow accounts out. The reason this was taken out was that both the banks and the Savings & Loan institutions were worried about this provision. Representative Vincent also stated that they had provided him with information on what other states were doing. Representative Vincent stated that this would be difficult to administer if it was not deleted. He feels that this bill has merit with the deletion. It limits the amount of money that can be kept in escrow. Section 5 requires that a record of reserve fund be sent once a year to the homeowner. Representative Vincent told the Committee he would appreciate consideration of House Bill 566 as amended.

PROPOSERS OF HOUSE BILL 566: Mr. Harold Pitts of Helena, representing the Montana Bankers Association, stated they support the bill as amended.

Mr. Ross Cannon of Helena, representing Montana Savings & Loan League, stated they support HB 566 with the amendments.

OPPOSERS OF HOUSE BILL 566: No opposers to HB 566 were present at the hearing.

QUESTIONS FROM THE COMMITTEE: Senator Blaylock asked how much was being carried in escrow in these institutions.

Mr. Pitts stated that no survey had been taken, but it would be a sizeable amount.

Senator Regan asked the bankers if they could come in with figures if they were necessary.

Mr. John Cadby, representing the Montana Bankers Association, stated there are a number of complicating factors to collecting this type of information.

Representative Vincent stated that he didn't think it required a legislative study.

Mr. Pitts stated that the information could not be gotten in 24 hours.

Chairman Hazelbaker wondered if there would be any trouble with FHA and VA in making these reports. Mr. Pitts stated that he wasn't sure you could regulate the federal agencies.

Mr. Cadby stated that if you remove the incentive to hold reserves, you will have more problems with collection. He told the Committee they would be happy to provide information on research done in other states if they wanted it.

Senator Goodover asked if it was required to have a reserve account. Mr. David Brown, representing the 1st National Bank in Helena, stated that it was required if it was a VA or FHA loan. Otherwise it was not required unless the individual bank required it.

Senator Regan asked the bankers about coming in next session with a bill that would be workable.

Mr. Brown stated that they have been burdened by tax notices and tax relief from the Homestead Tax Relief Law. He told the Committee that Billings has had a horrendous problem of tax collecting.

Senator Goodover asked how often a bank exceeds the 110 percent under current practices. Mr. Brown stated that it should not exceed that.

Mr. Harold Pitts stated they really consider this a service.

Chairman Hazelbaker closed the hearing on House Bill 566.

Printouts of House Bill 887 with the proposed amendments included were distributed to the Committee. Chairman Hazelbaker asked Mr. Pyfer if he had checked the amendments. Mr. Pyfer stated that he had checked them over and they appeared to be in order.

Mr. Terry Meagher from the Insurance Department went over the changes in the bill by the proposed amendments. The changes are as follows:

1. Page 4, line 6. Life insurance only will now be allowed to invest in EDP equipment that costs at least \$25,000.
2. Page 7, line 11. With regard to custodial deposits that a life insurer must have with the commissioner. Line 11 striking common stock placed in that deposit may be valued only to the extent of 50% of its market value.

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Their proposal strikes this 50% requirement which would allow them to value at 100% of its market value for deposit purposes.

Line 19. For the purposes of this custodial deposit, life insurers presently may only use real estate which is for the purpose of their home office and their proposal strikes that requirement and allows them to use for the deposit any real estate eligible as an admitted asset.

3. Page 13, line 14. Their proposal would allow an insurer to invest 10% of its assets in a subsidiary. Presently this investment is limited to an insurer's surplus. That also changed the requirement that a subsidiary be wholly owned to the definition whereby the insurer would own a majority of the outstanding shares of all voting stock.

4. Page 16, lines 8 and 11. This increases the permissible mortgage value on commercial real property to 80% from 2/3 and on one or two family residential property units to 90% from 3/4.

The rest of the amendments strike the proposed changes in the original bill. This amendment reinserts the language of the present original insurance code.

DISPOSITION OF HOUSE BILL 887: Senator Dover moved the proposed amendments Do Pass. The Committee voted unanimously to adopt the proposed amendments.

Senator Lowe moved that HB 887 Be Concurred In as so amended. Senator Goodover seconded the motion. The Committee voted unanimously that HOUSE BILL 887 BE CONCURRED IN AS SO AMENDED.

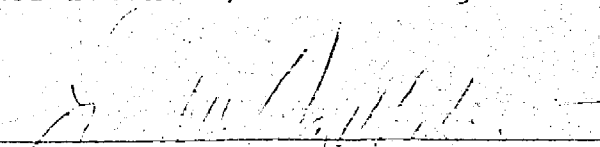
Senator Hazelbaker will carry House Bill 887 on the floor.

DISPOSITION OF HOUSE BILL 566: Senator Goodover moved the proposed amendments to HB 566 be adopted. Senator Lowe seconded the motion. The Committee adopted the proposed amendments to HB 566. Senator Hager and Senator Regan were the only "no" votes on the motion.

Senator Lowe moved that HB 566 Be Concurred In as so amended. Senator Dover seconded the motion. The Committee voted unanimously that HOUSE BILL 566 BE CONCURRED IN AS SO AMENDED.

Senator Lowe will carry House Bill 566 on the floor.

ADJOURN: There being no further business, the meeting was adjourned at 10:55 a.m.



Senator Frank Hazelbaker, Chairman

STANDING COMMITTEE REPORT

March 20, 1979

MR. President:

We, your committee on Business and Industry

having had under consideration House Bill No. 566

Vincent (Lowe)

Respectfully report as follows: That House Bill No. 566

third reading bill, be amended as follows:

1. Title, line 5.

Following: "TO"

Strike: "CREDIT INTEREST EARNED"

Insert: "RENDER ANNUAL STATEMENTS"

2. Title, line 6.

Following: "FUNDS"

Strike: "TO THE RESERVE FUND"

3. Title, line 7.

Following: "FUNDS"

Insert: "; AND PROVIDING AN EFFECTIVE DATE"

4. Page 1, line 24 through line 3 on page 2.

Strike: sections 3 and 4 in their entirety

Renumber: subsequent section

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(continued)

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5. Page 2, line 11.

Following: "fund"

Strike: ", "

Insert: "and"

6. Page 2, lines 12 and 13.

Following: "fund" on line 12

Strike: ", and the interest credited to the reserve fund"

7. Page 2, line 14.

Following: "mail a"

Strike: "copy of such record"

Insert: "statement of total receipts and disbursements"

8. Page 2, line 16.

Following: line 15

Insert: "Section 4. Effective date. This act is effective on
January 1, 1980."

And, as so amended
BE CONCURRED IN

SENATE BUSINESS AND INDUSTRY COMMITTEE

AMENDMENTS TO H.B. 566

We your SENATE COMMITTEE on BUSINESS AND INDUSTRY having had under consideration HOUSE BILL 566, recommend:

That the same be amended in the title, page 1, line 5, following the words "institutions to" by deleting the phrase "credit interest earned" and inserting in lieu thereof the phrase "render annual statements"; and

Further amend the bill in the title at line 6, page 1, following the word "funds", by deleting the phrase "to the reserve fund and" and insert a comma; and

Further amend the bill in the title at line 7, page 1, by striking the period and inserting a comma and insert "and provide an effective date."; and

Further amend the bill by striking Sections 3 and 4 in their entirety and renumbering Section 5 as Section 3; and

Further amend renumbered Section 3 (presently Section 5) on page 2 at line 11 by striking the comma following the term "fund" and inserting in lieu thereof the term "and"; and

Further amend renumbered Section 3 (presently Section 5) at lines 12 and 13 by striking the comma and the balance of the sentence following the word "fund" on line 12 and inserting a period in lieu thereof; and

Further amend renumbered Section 3 (presently Section 5), page 2 at line 14 following phrase "mail a" by deleting the phrase "copy of such record" and inserting in lieu thereof the phrase "statement of total receipts and disbursements"; and

Add a new section commencing on line 16 to read "Section 4. Effective Date. This act shall take effect on January 1, 1920."; and

As amended, House Bill 566 be concurred in.

HOUSE BILL NO. 566

INTRODUCED BY VINCENT, WATT, BRAND, MANNING, DOZIER,

KESSLER, YARDLEY, GILLIGAN, NORDTVEDT, SOUTH,

HUENNEKENS, ANDERSON, HARRINGTON,

MENAHAH, QUILICI, DAILY

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE LENDING INSTITUTIONS TO ~~EREDIT--INTEREST--EARNED~~ BENDER ANNUAL STATEMENTS ON CERTAIN PREPAID RESERVE FUNDS ~~TO--THE--RESERVE FUNDS~~ AND TO LIMIT THE AMOUNT OF SUCH RESERVE FUNDS; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Limit on the amount of funds on reserve. Except as provided in [section 2], if a lending institution requires a borrower under a mortgage or trust indenture of real property to include in his regular payment additional payment into a reserve fund held by the lending institution for the future payment of property taxes, insurance premiums, and other expenses, the amount of funds on reserve may not exceed 110% of the projected amount needed to pay such expenses.

Section 2. Exception to limitation. If the borrower desires, the lending institution and borrower may enter into a written contract in which they agree that the funds on

reserve exceed 110% of the reasonable amount needed to pay such expenses.

~~Section 3. Interest on reserve fund required. The lending institution shall credit to the reserve fund interest at the rate regularly paid by the lending institution on passbook savings accounts.~~

~~Section 4. Manner of computing and crediting interest on reserve funds. Interest on the funds shall be~~

~~(1) computed on the average monthly balance in the reserve fund; and~~

~~(2) paid annually to the mortgagor by crediting the reserve fund with the amount of interest due.~~

Section 3. Record of reserve fund required. Every lending institution shall keep an itemized record of each payment entered into the reserve fund, AND each disbursement withdrawn from the reserve fund, ~~and the interest credited to the reserve fund.~~ The lending institution shall annually mail a copy ~~of such record~~ STATEMENT OF TOTAL RECEIPTS AND DISBURSEMENTS to each borrower under a mortgage or trust indenture of real property.

SECTION 4. EFFECTIVE DATE. THIS ACT IS EFFECTIVE ON JANUARY 1, 1980.

-End-